

St. John's Law Review

Volume 63
Number 1 *Volume 63, Fall 1988, Number 1*

Article 5

April 2012

Hasbro, Inc. v. Lanard Toys, Ltd.: G.I. Joe Emerges from Trademark Wars Victorious but Second Circuit Continues Search for Appropriate Scope of Review

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Recommended Citation

Corcoran, Patrick J. (1988) "Hasbro, Inc. v. Lanard Toys, Ltd.: G.I. Joe Emerges from Trademark Wars Victorious but Second Circuit Continues Search for Appropriate Scope of Review," *St. John's Law Review*. Vol. 63 : No. 1 , Article 5.

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HASBRO, INC. v. LANARD TOYS, LTD.: G.I. JOE EMERGES FROM TRADEMARK WARS VICTORIOUS BUT SECOND CIRCUIT CONTINUES SEARCH FOR APPROPRIATE SCOPE OF REVIEW

The Lanham Act of 1946 provides holders of trademarks with statutory protection against trademark infringement.¹ The statute was designed to prevent consumer confusion between products marketed by the trademark holder and those marketed by competitors seeking to use identical or similar marks.² To warrant protec-

¹ Lanham Act, ch. 540, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. §§ 1051-1127 (1982 & Supp. V 1987)). The Lanham Act defines a trademark as including "any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify and distinguish his goods . . . from those manufactured or sold by others." 15 U.S.C. § 1127 (Supp. V 1987). Trademark law is recognized as but a part of the law of unfair competition, and this entire legal area evolved out of the tort law concepts of fraud and deceit. See 1 J. MCCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* § 5:2 (2d ed. 1984); Kurtz, *The Independent Legal Lives of Fictional Characters*, 1986 WIS. L. REV. 429, 474-75. Today, trademark infringement differs from early forms of unfair competition in that a plaintiff does not have to show the competitor has deliberately infringed, but rather, that the alleged infringing use has created a likelihood of confusion between the two products. See E. KINTNER & J. LAHR, *AN INTELLECTUAL PROPERTY LAW PRIMER* 274 (2d ed. 1982).

Section 43(a) provides protection for trademarks that are not formally registered under the Act's other provisions. See Lanham Act § 43(a), 15 U.S.C. § 1125(a) (1982). The intent of Congress in enacting section 43(a) of the Lanham Act was to fashion a new federal remedy for a category of unfair competition protected under the common law. See *Norman M. Morris Corp. v. Weinstein*, 466 F.2d 137, 141 (5th Cir. 1972); *F.E.L. Publications Ltd. v. National Conference of Catholic Bishops*, 466 F. Supp. 1034, 1044 (N.D. Ill. 1978). Further, section 43(a) has been held to protect various designs and characteristics that the public identifies with a specific product or manufacturer. See, e.g., *Warner Bros. v. Gay Toys, Inc.*, 658 F.2d 76, 78 (2d Cir. 1981) ("General Lee" automobile from "Dukes of Hazard" television show); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 203 (2d Cir. 1979) (Dallas Cowboys Cheerleader costumes); *DC Comics, Inc. v. Filmation Assocs.*, 486 F. Supp. 1273, 1277 (S.D.N.Y. 1980) ("Aquaman" and "Plastic Man" cartoon characters). While the Lanham Act provides for protection of certain trademarks, it may also forbid the use of certain symbols, slogans, or names as trademarks. See, e.g., *Bromberg v. Carmel Self Serv., Inc.*, 198 U.S.P.Q. (BNA) 176, 177 (Pat. & Trademark Off. 1978) (restaurant service mark, "Only a Breast in the Mouth is Better than a Leg in the Hand," opposed on ground that mark indecent, obscene, and chauvinistic).

² See Lanham Act § 45, 15 U.S.C. § 1127 (1982). Section 45 provides in part that the statute was intended "to regulate commerce . . . by making actionable the deceptive and misleading use of marks [and] to protect persons engaged in such commerce against unfair competition." *Id.*; see also *Home Box Office, Inc. v. Showtime/The Movie Channel, Inc.*, 832

tion under the Lanham Act, the trademark must satisfy a multipronged test enunciated by the United States Court of Appeals for the Second Circuit in *Abercrombie & Fitch Co. v. Hunting World, Inc.*³ If it is found that a trademark is protectible and has been infringed upon, a party may be entitled to a preliminary injunction,⁴ an equitable remedy granted at the discretion of the trial court.⁵ An appellate court may not set aside a lower court's order

F.2d 1311, 1314 (2d Cir. 1987) (Lanham Act designed to prevent likely confusion in minds of consumers); *Lois Sportswear, U.S.A. v. Levi Strauss & Co.*, 799 F.2d 867, 871 (2d Cir. 1986) (same). See generally E. KINTNER & J. LAHR, *supra* note 1, at 271 (purpose of Lanham Act to protect consumers from purchasing goods mistakenly believed to be goods of another).

Registration with the United States Patent and Trademark Office is not a requirement for protection under section 43(a) of the Lanham Act. See *Warner Bros.*, 658 F.2d at 77-78; *Florida v. Real Juices, Inc.*, 330 F. Supp. 428, 430 (M.D. Fla. 1971). A section 43(a) cause of action arises when a trademark or trade name is likely to confuse or deceive purchasers as to the source or origin of a particular product. See *Metric & Multistandard Components Corp. v. Metric's, Inc.*, 635 F.2d 710, 714 (8th Cir. 1980); *Quabaug Rubber Co. v. Fabiano Shoe Co.*, 567 F.2d 154, 160 (1st Cir. 1977); *National Lampoon, Inc. v. ABC, Inc.*, 376 F. Supp. 733, 746 (S.D.N.Y.), *aff'd*, 497 F.2d 1343 (2d Cir. 1974). Section 43(a) of the Lanham Act is interpreted as remedial in nature and is generally applied broadly to effectuate that interpretation. See *Purolator, Inc. v. EFRA Distribs.*, 687 F.2d 554, 560-61 (1st Cir. 1982); *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 546 (2d Cir. 1956) (Clark, C.J., concurring).

³ 537 F.2d 4 (2d Cir. 1976). The four categories that measure the degree of protection a mark merits are, in ascending order of protection: generic, descriptive, suggestive, and arbitrary or fanciful. See *id.* at 9. A generic mark is entitled to no protection. See *id.* A generic term conveys information regarding the nature of a product and can attach to goods manufactured by numerous producers. See 3 R. CALLMANN, *THE LAW OF UNFAIR COMPETITION, TRADEMARKS, AND MONOPOLIES* § 18.03, at 9-13 (4th ed. 1983). Descriptive marks—which describe the qualities, ingredients, or characteristics of a product—are protectible only when a secondary meaning can be established. See *Thompson Medical Co. v. Pfizer, Inc.*, 753 F.2d 208, 212-13 (2d Cir. 1985); *Elizabeth Taylor Cosmetics Co. v. Annick Goutal, S.A.R.L.*, 673 F. Supp. 1238, 1243 (S.D.N.Y. 1987); 3 R. CALLMANN, *supra*, § 18.03, at 12. Secondary meaning is established when a claimant shows “consumers have come to associate [the mark] with a particular manufacturer or source.” See *Perfect Fit Indus. v. Acme Quilting Co.*, 618 F.2d 950, 953 (2d Cir. 1980), *cert. denied*, 459 U.S. 832 (1982); see also *infra* note 53 (elements of secondary meaning). A suggestive mark is eligible for protection without proof of secondary meaning. See *Thompson Medical*, 753 F.2d at 213. Arbitrary or fanciful marks are also entitled to full protection without a showing of secondary meaning. See *Abercrombie & Fitch*, 537 F.2d at 11.

⁴ See Lanham Act § 34, 15 U.S.C. § 1116 (Supp. V 1987) (injunctions allowed for infringement of registered marks); see also *Banff, Ltd. v. Federated Dep't Stores, Inc.*, 841 F.2d 486 (2d Cir. 1988) (Bloomingtondale's enjoined from using “B Wear” mark on its apparel); *Playboy Enters. v. Chuckleberry Publishing, Inc.*, 687 F.2d 563 (2d Cir. 1982) (infringer enjoined from using magazine title “Playmen”).

⁵ Lanham Act § 34, 15 U.S.C. § 1116 (Supp. V 1987) (power to grant injunctive relief as “court may deem reasonable”); see, e.g., *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944) (discussing discretionary nature of equitable relief); *Charles of the Ritz Group, Ltd. v. Quality King Distribs.*, 636 F. Supp. 433, 438 (S.D.N.Y. 1986) (awarding preliminary injunction against alleged infringer), *aff'd*, 832 F.2d 1317 (2d Cir. 1987).

granting or denying an injunction absent a finding that the factual basis for the trial court's action was either clearly erroneous or the result of an improvident exercise of judicial discretion.⁶ Recently,

The primary rationale behind a preliminary injunction is the prevention of additional irreparable harm before a trial on the merits. See *University of Texas v. Camenisch*, 451 U.S. 390, 395 (1981). "In trademark cases, the scope of the injunction to be entered depends upon the manner in which plaintiff is harmed, the possible means by which that precise harm can be avoided, the viability of the defenses raised, and the relative inconvenience that would be caused to defendant" 2 J. MCCARTHY, *supra* note 1, § 30:3, at 466.

To obtain a preliminary injunction in the Second Circuit, the movant must demonstrate (a) irreparable harm; and (b) either (1) likelihood of success on the merits, or (2) sufficiently serious questions going to the merits and a balance of hardships tipping decidedly in the movant's favor. See *Hasbro Bradley, Inc. v. Sparkle Toys, Inc.*, 780 F.2d 189, 192 (2d Cir. 1985); *Jackson Dairy, Inc. v. H.P. Hood & Sons*, 596 F.2d 70, 72 (2d Cir. 1979). For purposes of preliminary injunctive relief, "irreparable injury" means injury for which a monetary award cannot be adequate compensation; thus, where a monetary award is adequate compensation a preliminary injunction will not issue. See *Jackson Dairy*, 596 F.2d at 72; *Studebaker Corp. v. Gittlin*, 360 F.2d 692, 698 (2d Cir. 1966). In a Lanham Act case "a showing of likelihood of confusion as to source or sponsorship establishes the requisite likelihood of success on the merits as well as risk of irreparable harm." *Home Box Office*, 832 F.2d at 1314 (quoting *Standard & Poor's Corp. v. Commodity Exch., Inc.*, 683 F.2d 704, 708 (2d Cir. 1982)).

⁶ See *Power Test Petroleum Distribs. v. Calcu Gas, Inc.*, 754 F.2d 91, 95 (2d Cir. 1985); *Hartikka v. United States*, 754 F.2d 1516, 1518 (9th Cir. 1985); *Alschuler v. Department of Hous. & Urban Dev.*, 686 F.2d 472, 482 (7th Cir. 1982). Rule 52(a) of the Federal Rules of Civil Procedure provides:

In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon . . . and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of its action. . . . Findings of fact . . . shall not be set aside unless *clearly erroneous*, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses.

FED. R. CIV. P. 52(a) (emphasis added).

"A finding is 'clearly erroneous' when although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed." *United States v. United States Gypsum Co.*, 333 U.S. 364, 395 (1948). "A finding of fact cannot be set aside as clearly erroneous merely because another court may give the evidence a different construction or resolve the ambiguities differently." *Dickens v. United States*, 545 F.2d 886, 890 (5th Cir. 1977). The issue is not simply whether the reviewing court would have concluded otherwise, but whether the trial court could permissibly find as it did. See *Brown v. Aggie & Millie, Inc.*, 485 F.2d 1293, 1295 (5th Cir. 1973); *Bianchini v. Humble Pipe Line Co.*, 480 F.2d 251, 253 (5th Cir. 1973).

The clearly erroneous standard will govern neither an appellate court's review of a trial court's conclusions of law, see *United Artists Television, Inc. v. Fortnightly Corp.*, 377 F.2d 872, 874 n.2 (2d Cir. 1967), *rev'd on other grounds*, 392 U.S. 390 (1968), nor its review of findings of fact made under an erroneous view of the controlling legal principles. See, e.g., *Bose Corp. v. Consumers Union of United States*, 466 U.S. 485, 501 (1984); *Karavos Compania Naviera S.A. v. Atlantica Export Corp.*, 588 F.2d 1, 8 (2d Cir. 1978); *James v. Stockham Valves & Fittings Co.*, 559 F.2d 310, 314 n.1 (5th Cir. 1977), *cert. denied*, 434 U.S. 1034 (1978).

however, in *Hasbro, Inc. v. Lanard Toys, Ltd.*,⁷ the Second Circuit reversed a magistrate's order denying a motion for a preliminary injunction against an alleged infringing party but failed to clearly state the legal grounds for doing so.⁸

The appellant, Hasbro, Inc. ("Hasbro"), manufactures toy military figures marketed under the unregistered trademark "G.I. JOE."⁹ The "G.I. JOE" line consists of individual characters each with his or her own code name.¹⁰ From 1983 to 1985, and again in 1987, Hasbro's toy line included a military figure whose code name was "GUNG-HO."¹¹ In January 1987, the respondent, Lanard Toys, Ltd. ("Lanard"), introduced its own line of toy military figures under the trademark "GUNG-HO!"¹² The appearance of the figures and the packaging of the "GUNG-HO!" line were substantially similar to those of the "G.I. JOE" line.¹³ Hasbro brought suit under the Lanham Act to prevent the further marketing of "GUNG-HO!" by Lanard and, alleging trademark infringement and unfair competition, moved for a preliminary injunction.¹⁴ The

⁷ 858 F.2d 70 (2d Cir. 1988).

⁸ See *id.* at 71.

⁹ *Id.* at 71. Hasbro, a Rhode Island corporation, is the world's largest toy manufacturer. *Id.*

¹⁰ *Id.* The "G.I. JOE" line consisted of thirty-four characters, "each with his or her own real name, code name, uniform, military specialty, biography, and personality." *Id.*

¹¹ *Id.* In 1983, Hasbro introduced the figure/character "Ettienne R. LaFitte"—code name "GUNG-HO"—a bare-chested tattooed marine" into its "G.I. JOE" line. *Id.* The toy figure was removed from the line in 1986 but was reintroduced in 1987 in a distinctive, full-dress marine uniform. *Id.* In addition to its toy sales, Hasbro promoted its characters, including "GUNG-HO," through licensing of comic books, book cover illustrations, and album covers. *Id.* at 72. Since 1983, Hasbro had spent over \$65 million to promote its "G.I. JOE" line; however, Hasbro could not specify what portion of that amount was attributable to the "GUNG-HO" character. *Id.* Sales of the "G.I. JOE" line in 1986 amounted to \$170 million (13 percent of the corporation's total sales). *Id.* Since 1983, Hasbro had shipped close to two million "GUNG-HO" figures. *Id.*

¹² *Id.* Lanard, a Hong Kong corporation, had commissioned a toy designer to create a product to compete with other toy companies in the secondary market for action figures. *Id.* Lanard had not advertised, marketed, or promoted the "GUNG-HO!" line except for a 1987 catalogue and a 1987 toy fair. *Id.* In 1987, Lanard shipped over "\$350,000 (retail value) of this line," accounting for four percent of its total sales. *Id.*

¹³ *Id.* Like Hasbro's "G.I. JOE" line, Lanard's figures were 3¼ inch plastic figures, each with its own code name, and sold in blister-card packaging. *Id.* Lanard's packaging for accessories even included a claim that they were for use with "G.I. JOE" figures. *Id.*

¹⁴ *Id.* Hasbro originally brought suit in New York State Supreme Court, alleging common law unfair competition, but Lanard removed the action to the United States District Court for the Southern District of New York. *Id.* Hasbro was then permitted to amend its complaint to explicitly assert the Lanham Act cause of action. *Hasbro, Inc. v. Lanard Toys, Ltd.*, No. 87 Civ. 6214, slip op. (S.D.N.Y. Nov. 18, 1987), *rev'd on other grounds*, 858 F.2d 70 (2d Cir. 1988).

United States District Court for the Southern District of New York denied Hasbro's motion, concluding that "GUNG-HO" was a descriptive mark and that Hasbro failed to prove likelihood of confusion as to the product's source.¹⁵ On appeal, the Second Circuit reversed the magistrate's order, holding that the trademark, as used by Hasbro, was a suggestive mark and that there was a likelihood of confusion.¹⁶

Writing for the circuit court, Judge Cardamone observed that in a Lanham Act case, assuming Hasbro had a protectible mark, a showing of likelihood of confusion would satisfy both prongs of the Second Circuit's preliminary injunction test.¹⁷ That test requires the moving party to demonstrate irreparable harm; and either a likelihood of success on the merits, or serious questions going to the merits and a balancing of hardships tipping decidedly in the moving party's favor.¹⁸ The court utilized a bifurcated approach, first resolving whether Hasbro's unregistered mark was entitled to protection,¹⁹ and then turning to the "critical inquiry" of likelihood of confusion.²⁰ Judge Cardamone disagreed with the magistrate's holding that "GUNG-HO" was descriptive as applied to Hasbro's product.²¹ After examining past interpretations of the term "suggestive," the court concluded: "Connecting the fantasy personality to the toy action figure requires imagination. And, quite simply, it is this need to resort to imagination that renders 'GUNG-HO' suggestive rather than descriptive."²²

¹⁵ See *Hasbro*, 858 F.2d at 73; see also *supra* note 3 (discussing categories used to determine if mark protectible); *infra* note 23 (discussing test for likelihood of confusion).

¹⁶ *Hasbro*, 858 F.2d at 79.

¹⁷ *Id.* at 73-75; see also *supra* note 5 (reviewing likelihood of confusion and preliminary injunctions).

¹⁸ See *supra* note 5 and accompanying text (discussing preliminary injunctions in Second Circuit).

¹⁹ *Hasbro*, 858 F.2d at 73-75.

²⁰ *Id.* at 75-79.

²¹ *Id.* at 75. The court found the magistrate had improperly analogized marks that convey an immediate idea of the characteristics of a fantasy persona to marks that make known the characteristics of the goods. *Id.* See generally *supra* note 3 (discussing descriptive and other protectibility categories).

²² *Hasbro*, 858 F.2d at 75. The *Hasbro* court examined several decisions dealing with the suggestive mark category. See, e.g., *Soltex Polymer Corp. v. Fortex Indus.*, 832 F.2d 1325, 1328 (2d Cir. 1987) ("FORTIFLEX" suggestive of plastic resin); *Playboy Enters. v. Chuckleberry Publishing, Inc.*, 687 F.2d 563, 566-67 (2d Cir. 1982) ("PLAYBOY" suggestive of readers' aspirations, not product); *Elizabeth Taylor Cosmetics Co. v. Annick Goutal, S.A.R.L.*, 673 F. Supp. 1238, 1243-44 (S.D.N.Y. 1987) ("PASSION" suggestive of perfume, descriptive of emotion); *Information Clearing House, Inc. v. Find Magazine*, 492 F. Supp. 147, 156 (S.D.N.Y. 1980) ("FIND" suggestive of a variety of things but descriptive of none);

Having decided the mark was suggestive, the court next applied factors enumerated in *Polaroid Corp. v. Polarad Electronics Corp.*²³ to evaluate the likelihood of confusion issue.²⁴ Judge Cardamone examined each factor "in the context of how it bears on the ultimate question of likelihood of confusion as to the source of the product."²⁵ The first factor the court considered was the strength of the mark.²⁶ While the mere fact that a mark is suggestive is not dispositive of this issue, in this case the court found the mark's suggestiveness provided convincing evidence of its strength.²⁷ Considering the second and third factors, similarity between the marks and commercial proximity of the competitive products, the court ruled that the magistrate's findings were clearly erroneous.²⁸ After examining all relevant factors, the court

Or Da Indus. v. Leisure Learning Prods., 479 F. Supp. 710, 715 (S.D.N.Y. 1979) ("BRAINY BLOCKS" suggestive of children's game).

²³ 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961). The factors to be considered are (1) the strength of the plaintiff's mark, (2) the degree of similarity between the two marks, (3) the proximity of the products in the marketplace, (4) the likelihood that the prior owner will bridge the gap, (5) actual confusion, (6) the defendant's good faith in adopting its own mark, (7) the quality of the defendant's product, and (8) the sophistication of the buyers. *Id.* at 495. The *Polaroid* test extends to both competing and noncompeting products. *See Banff, Ltd. v. Federated Dep't Stores, Inc.*, 841 F.2d 486, 490 (2d Cir. 1988); *Thompson Medical Co. v. Pfizer, Inc.*, 753 F.2d 208, 214 (2d Cir. 1985).

²⁴ *Hasbro*, 858 F.2d at 75. Specifically, the court questioned whether Lanard's sale of "GUNG-HO!" action figures would cause "an appreciable number of ordinarily prudent purchasers . . . to be misled, or indeed simply confused, as to the source of the goods in question." *Id.* (quoting *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978) (*per curiam*), *cert. denied*, 439 U.S. 1116 (1979)).

²⁵ *Hasbro*, 858 F.2d at 75 (quoting *Lois Sportswear, U.S.A. v. Levi Strauss & Co.*, 799 F.2d 867, 872 (2d Cir. 1986)). The court prefaced its analysis by stating its review of each specific factor would be subject to the clearly erroneous standard, while the ultimate determination of the likelihood of confusion would be a matter of law open to *de novo* appellate review. *Id.* at 75-76; *see Banff*, 841 F.2d at 490; *Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1225 (2d Cir. 1987); *Plus Prods. v. Plus Discount Foods, Inc.*, 722 F.2d 999, 1004-05 (2d Cir. 1983).

²⁶ *Hasbro*, 858 F.2d at 76. The strength of a mark refers to that mark's "tendency to identify the goods sold under the mark as emanating from a particular . . . source." *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1131 (2d Cir. 1979).

²⁷ *Hasbro*, 858 F.2d at 76. The court addressed two additional arguments raised by Lanard: (1) that the code name of each of Hasbro's characters was merely a style designation which would be accorded status as a strong mark only if secondary meaning were shown; and (2) that proof of secondary meaning was still relevant in this case. *Id.*

²⁸ *Id.* at 77. Because Hasbro and Lanard used the marks differently, as a code name and a toy-line name respectively, the magistrate did not believe otherwise similar marks gave rise to a likelihood of confusion. *See id.* at 78. In rejecting the lower court's factual finding, the Second Circuit pointed to the high likelihood of actual confusion. *Id.* The court also suggested that if individual code names were not entitled to protection, Lanard could legally incorporate a "G.I. JOE" figure into its "GUNG-HO!" line. *Id.*

concluded that a preliminary injunction was warranted because there was a likelihood of confusion as to the source of the toy figures.²⁹

It is submitted that the *Hasbro* court erred by inadequately addressing its grounds for reversal and ineffectively explaining the applicability of the clearly erroneous standard to its findings of fact. This Comment will examine the relevant scope of appellate review in the Second Circuit and will suggest how it should have been applied in this instance. This Comment will then assert that the issue of protectibility of a mark should be treated as a question of fact. Finally, this Comment will propose that a bifurcated approach to analyzing trademark infringement cases be applied consistently in the Second Circuit.

SCOPE OF APPELLATE REVIEW

Currently, no uniformity exists among the courts of appeals in their application of the clearly erroneous standard to reviews of trademark infringement cases under the Lanham Act.³⁰ Several circuits hold that likelihood of confusion as to the source of a product is a factual issue and, therefore, appellate review is subject to the clearly erroneous standard at all levels.³¹ The Federal Circuit

The court next declared that the fourth *Polaroid* factor, the likelihood that the senior user will bridge the gap by entering the junior user's market, favored Hasbro because the two competitors were already in the same market. *Id.* The court found no reason to disturb the lower court's findings regarding the fifth, sixth, seventh, and eighth *Polaroid* factors. *Id.* In light of the short time that Lanard's product was on the market, the appellate court found the magistrate properly declined to make any negative inferences against Hasbro from the lack of "actual confusion" evidence, the fifth *Polaroid* factor. *Id.* While there was some evidence to support Hasbro's contention that Lanard acted in bad faith, the sixth factor, the court saw no reason to disturb the magistrate's analysis and finding that no bad faith was involved. *Id.* The magistrate's conclusion that Lanard's figures were not of a lesser quality, the seventh factor, was found not to be clearly erroneous. *Id.* Finally, the court agreed with the magistrate that the total lack of evidence on consumer sophistication warranted giving this factor little, if any, weight. *Id.* at 79.

²⁹ *Id.*

³⁰ See Rubin, *The Role of the Clearly Erroneous Standard of Federal Rule of Civil Procedure 52(a) in Reviewing Trial Court Determinations of Likelihood or No Likelihood of Confusion*, 74 TRADEMARK REP. 20, 20 (1984); Comment, *Appellate Review of Lanham Act Violations: Is Likelihood of Confusion a Question of Law or Fact?*, 38 SW. L.J. 743, 752-63 (1984). See generally *Elby's Big Boy, Inc. v. Frisch's Restaurants, Inc.*, 459 U.S. 916, 917 (1982) (White, J., dissenting) (citing conflicting cases in circuits in dissent to denial of certiorari).

³¹ See, e.g., *Amoco Oil Co. v. Rainbow Snow, Inc.*, 809 F.2d 656, 661-62 (10th Cir. 1987); *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1428 (7th Cir. 1985), cert. denied, 475 U.S. 1147 (1986); *Marcon, Ltd. v. Helena Rubenstein, Inc.*, 694 F.2d 953, 955-56 (4th Cir.

has not treated likelihood of confusion as a factual question, but rather, as one of law.³² A third group of circuit courts, including the Second Circuit, considers the determination of each specific *Polaroid* factor a question of fact, but the ultimate determination of the likelihood of confusion a question of law.³³ The application of this law/fact dichotomy is critical because the clearly erroneous rule protects fact-findings from summary reversal but does not apply to errors of law which are subject to *de novo* appellate review.³⁴ Appellate courts often circumvent this rule by finding the inquiry to be grounded in legal, as opposed to purely factual, concerns.³⁵ Additionally, appellate courts make a distinction between trial court conclusions based on evidence from oral testimony of wit-

1982); *Armco, Inc. v. Armco Burglar Alarm Co.*, 693 F.2d 1155, 1159 (5th Cir. 1982); *John Deere & Co. v. Payless Cashways, Inc.*, 681 F.2d 520, 524 (8th Cir. 1982); *Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 377 (1st Cir. 1980). Most state courts hold that the likelihood of confusion is a question of fact, reversible only if the evidence was insufficient to support the trial court's conclusion. See 2 J. McCARTHY, *supra* note 1, § 23:22, at 114-15.

³² See *Kimberly-Clark Corp. v. H. Douglas Enters.*, 774 F.2d 1144, 1146 (Fed. Cir. 1985); *Giant Food, Inc. v. Nation's Foodservice, Inc.*, 710 F.2d 1565, 1569 (Fed. Cir. 1983).

³³ See, e.g., *Banff, Ltd. v. Federated Dep't Stores, Inc.*, 841 F.2d 486, 490 (2d Cir. 1988) (each finding subject to clearly erroneous standard but ultimate determination of likelihood of confusion is legal issue subject to *de novo* review); *Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1225 (2d Cir. 1987) (same); *Alpha Indus. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d 440, 443-44 (9th Cir. 1980) ("foundational facts" underlying finding of likelihood of confusion are reviewed under clearly erroneous standard, but ultimate determination of likelihood of confusion is legal conclusion for *de novo* review).

³⁴ See 9 C. WRIGHT & A. MILLER, *FEDERAL PRACTICE AND PROCEDURE* § 2588, at 750 (1971); Note, *Federal Rule of Civil Procedure 52(a) and the Scope of Appellate Fact Review: Has Application of the Clearly Erroneous Rule Been Clearly Erroneous?*, 52 ST. JOHN'S L. REV. 68, 87 (1977). Rule 52(a) is silent about legal conclusions and "[t]his silence has been correctly interpreted as meaning that the 'clearly erroneous' restriction is not applicable and that the trial court's rulings on questions of law are reviewable without any such limitation." 9 C. WRIGHT & A. MILLER, *supra*, § 2588, at 750; see *McLeod ex rel. NLRB v. Local 282, Int'l Bhd. of Teamsters*, 345 F.2d 142, 145 (2d Cir. 1965) (rule not applicable where appellate court faced solely with question of law). Additionally, the rule does not apply if the trial judge "has committed an error of law which has manifestly influenced or controlled his findings of fact." *Ammerman v. Miller*, 488 F.2d 1285, 1300 (D.C. Cir. 1973).

³⁵ See 2 J. McCARTHY, *supra* note 1, § 23.22, at 109-10; Childress, "Clearly Erroneous": *Judicial Review Over District Courts in the Eighth Circuit and Beyond*, 51 MO. L. REV. 93, 116 (1986). "Those who feel that justice requires reversal of findings, recognizing the rule's strength, look to taking its shackles off to avoid it, using legal reasoning, rather than finding themselves fighting a fact-bound record." *Id.*; see also *Lektro-Vend Corp. v. Vendo Co.*, 660 F.2d 255, 262 (7th Cir. 1981) (conclusions of law and mixed fact/law questions subject to broader scope of review), *cert. denied*, 455 U.S. 921 (1982). "The conclusion of a likelihood of confusion and the factual elements on which it is based is like a chameleon which changes its color from 'fact' to 'law' and back again, depending on the procedural context and factual setting." 2 J. McCARTHY, *supra* note 1, § 23.22, at 112.

nesses and those based on documentary or real evidence.³⁶ This broader review of fact-findings has been criticized by some for increasing appeals, undermining confidence in the judicial system, and demoralizing district judges.³⁷

Under the Second Circuit's hybrid approach, the district court's determination of each *Polaroid* factor is a finding of fact to which the clearly erroneous standard applies, while the court's use of those factors to determine likelihood of confusion is a legal conclusion reviewable *de novo* by the appellate court.³⁸ The *Hasbro* court followed this approach by applying the clearly erroneous standard to its review of the district court's findings for seven of the eight *Polaroid* factors.³⁹ It is submitted, however, that the Second Circuit deviated from its own standard of review by not explaining its conclusion on the first *Polaroid* factor, strength of the mark, and on the related issue, the protectibility of the mark.⁴⁰

³⁶ See *United States ex rel. Lasky v. La Vallee*, 472 F.2d 960, 963 (2d Cir. 1973) (circuit court makes independent fact finding when credibility not an issue); Childress, *supra* note 35, at 117-18; Nangle, *The Ever Widening Scope of Fact Review in Federal Appellate Courts—Is the "Clearly Erroneous Rule" Being Avoided?*, 59 WASH. U.L.Q. 409, 423-25 (1981); Comment, *supra* note 30, at 757-59. Some courts have held that "ultimate findings," which are factual inferences drawn from other facts, are free of the restraints of the clearly erroneous rule. See *Consolidated Naval Stores Co. v. Fahs*, 227 F.2d 923, 925-26 (5th Cir. 1955). "To the degree that the determination of 'likelihood of confusion' rests upon a visual comparison of the marks [and products] themselves, the appellate court is in as good a position as the trial judge to decide the issue." *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1133 (2d Cir. 1979); see *E. KINTNER & J. LAHR*, *supra* note 1, at 274; cf. *Lever Bros. v. American Bakeries Co.*, 693 F.2d 251, 254 n.1 (2d Cir. 1982) (where finding based not only on analysis of documentary evidence of similarity, but also on testimony of experts, court applied "clearly erroneous" standard).

³⁷ See Nangle, *supra* note 36, at 426-28; Wright, *The Doubtful Omniscience of Appellate Courts*, 41 MINN. L. REV. 751, 779-81 (1957); Note, *Panduit Corp. v. Dennison Manufacturing Co.: De Novo Review and the Federal Circuit's Application of the Clearly Erroneous Standard*, 36 AM. U.L. REV. 963, 966 (1987). Broad appellate review "impairs the confidence of litigants and the public in the decisions of the trial courts, and it multiplies the number of appeals." Wright, *supra*, at 779; see also *Anderson v. Bessemer City*, 470 U.S. 564, 575 (1985) (deference to fact finder avoids duplication of effort). But see Godbold, *Fact Finding by Appellate Courts—An Available and Appropriate Power*, 12 CUMB. L. REV. 365 *passim* (1982) (encouraging appellate fact-finding as established and proper device).

³⁸ See *supra* note 33 and accompanying text.

³⁹ See *Hasbro*, 858 F.2d at 76-79; see *supra* notes 26-28 and accompanying text (discussing *Hasbro* court's treatment of *Polaroid* factors). The court found the magistrate's findings for the second and third *Polaroid* factors were clearly erroneous. *Hasbro*, 858 F.2d at 77.

⁴⁰ See generally *supra* notes 3 & 26 (discussing protectibility and strength of mark). There is a relation between the protectibility and the strength of a mark. Generally, if a term is suggestive it is a strong mark and is entitled to protection without proof of meaning; while an unregistered descriptive mark is a weak mark and is entitled to protection only

The *Hasbro* court first reviewed the magistrate's conclusion on what it considered to be the threshold question: Is Hasbro's mark suggestive or descriptive?⁴¹ The *Hasbro* court stated that it simply disagreed with the district court's conclusion and held the mark to be suggestive.⁴² It is submitted that this cursory treatment of protectibility affords little guidance as to the legal or factual nature of the issue. Whether the district court made an error of fact, of law, or in the application of the law was left unanswered.⁴³ The importance of the *Hasbro* court's failure to express its grounds for reversal on the protectibility issue became more evident when it next applied its determination to the discussion of the strength of the mark.⁴⁴ Presented with an opportunity to clarify its legal grounds for reversing the magistrate's ruling, the court again failed to state its grounds for reversal by omitting any reference to the clearly erroneous standard which, by its own admission, is applicable to this *Polaroid* factor.⁴⁵ Additionally, the court conducted what appears to be a *de novo* review of the issue by discussing two additional arguments raised by Lanard regarding the strength of the mark which were not relied on by the magistrate.⁴⁶

It is submitted that the categorization of a mark for the deter-

upon proof of secondary meaning. See *Thompson Medical Co. v. Pfizer, Inc.*, 753 F.2d 208, 216 (2d Cir. 1985); *20th Century Wear, Inc. v. Sanmark-Stardust, Inc.*, 747 F.2d 81, 87 (2d Cir. 1984), cert. denied, 470 U.S. 1052 (1985); E. KINTNER & J. LAHR, *supra* note 1, at 256-60; A. SEIDEL, *WHAT THE GENERAL PRACTITIONER SHOULD KNOW ABOUT TRADEMARKS AND COPYRIGHTS* § 1.03, at 5-6 (5th ed. 1986).

⁴¹ See *Hasbro*, 858 F.2d at 73-75.

⁴² *Id.* at 75.

⁴³ See *id.* at 73-79. The court did not express its grounds for reversal anywhere in this segment of the opinion. The court stated: "The magistrate assumed that an expression that conveyed an immediate idea of the characteristics of a fantasy persona is *legally* analogous to one that makes known the characteristics of the goods. We disagree . . ." *Id.* at 74 (emphasis added). Whether with this statement the *Hasbro* court meant to convey that it either considered the issue of protectibility a question of law or that it reversed because the magistrate applied an erroneous legal principle is unclear. If a trial court bases its findings upon a mistaken impression of applicable legal principles, the reviewing court is not bound by the clearly erroneous standard. See *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 855 n.15 (1982); see also *supra* note 6 (discussing clearly erroneous standard).

⁴⁴ See *Hasbro*, 858 F.2d at 76.

⁴⁵ See *id.* at 75-76; see also *supra* notes 33 & 38 and accompanying text (discussing applicability of clearly erroneous standard to each specific *Polaroid* factor and likelihood of confusion in general).

⁴⁶ *Hasbro*, 858 F.2d at 76-77. The Supreme Court has stated that "[i]n applying the clearly erroneous standard to the findings of a district court sitting without a jury, appellate courts must constantly have in mind that their function is not to decide factual issues *de novo*." *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 123 (1969).

mination of protectibility should be a factual conclusion subject to the clearly erroneous rule.⁴⁷ This would instill confidence and stability in the fact-finding proceedings at the trial level and, more importantly, would require an appellate court, in reversing a lower court's ruling, to clearly state whether the trial court's findings were either clearly erroneous or based on a mistaken impression of applicable legal principles, as arguably was the case in *Hasbro*.⁴⁸

SECOND CIRCUIT "LIKELIHOOD OF CONFUSION" ANALYSIS

It is suggested that the Second Circuit should establish the bifurcated approach to infringement claims as the exclusive analysis to be utilized in future trademark cases.⁴⁹ By doing so, the court will take a step towards expediting the adjudication of trademark cases. Under the single-step analysis the court does not pass separately on the protectibility issue, but instead, moves directly to and carries out the likelihood of confusion analysis.⁵⁰ This approach considers the *Abercrombie & Fitch* categorization simply as part of the "strength of the mark" determination, rather than as an integral issue on its own.⁵¹

⁴⁷ See, e.g., *Anheuser-Busch Inc. v. Stroh Brewery Co.*, 750 F.2d 631, 635 (8th Cir. 1984) (protectibility category of beer trademark "LA" is factual issue reviewable under clearly erroneous standard); *WSM, Inc. v. Hilton*, 724 F.2d 1320, 1325-26 (8th Cir. 1984) (categorization of term for which trademark protection is claimed is factual issue); *Blisscraft of Hollywood v. United Plastics Co.*, 294 F.2d 694, 699-701 (2d Cir. 1961) (critical question of whether mark is descriptive to prospective purchasers of article is question of fact).

⁴⁸ See *supra* note 37 and accompanying text (discussing criticism of broad appellate review). Appellate courts have been admonished for failing to articulate their specific rationale for reversing findings of fact. See, e.g., *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 810 (1986) (remanding case to appellate court because of "lack [of] an adequate explanation" for reversing lower court's fact-findings).

⁴⁹ The Second Circuit has often applied the bifurcated approach in the past. See, e.g., *Banff, Ltd. v. Federated Dep't Stores, Inc.*, 841 F.2d 486, 489 (2d Cir. 1988); *Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1221 (2d Cir. 1987); *Thompson Medical Co. v. Pfizer, Inc.*, 753 F.2d 208, 212-13 (2d Cir. 1985); *Elizabeth Taylor Cosmetics Co. v. Annick Goutal, S.A.R.L.*, 673 F. Supp. 1238, 1243-44 (S.D.N.Y. 1987). However, such an approach has not been applied consistently. See *infra* note 50.

⁵⁰ See, e.g., *Plus Prods. v. Plus Discount Foods, Inc.*, 722 F.2d 999, 1003-05 (2d Cir. 1983) (court concentrated solely on *Polaroid* factors); *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 689 F.2d 1127, 1129-30 (2d Cir. 1982) (*Abercrombie & Fitch* categories considered only part of "strength of the mark" *Polaroid* factor); *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1130-32 (2d Cir. 1979) (court conducted likelihood of confusion analysis using only *Polaroid* factors).

⁵¹ See generally *supra* note 50 (cases utilizing single-step likelihood of confusion analysis). While the *Abercrombie & Fitch* "categories can be useful for analytical purposes, the strength of a mark depends ultimately on its distinctiveness, or its 'origin-indicating' quality, in the eyes of the purchasing public." *McGregor-Doniger*, 599 F.2d at 1131.

In the bifurcated approach the court first analyzes the protectibility of the mark.⁵² If a mark is deemed to be descriptive, the court must also determine whether secondary meaning has been established.⁵³ If the court finds the mark generic or without secondary meaning, then it is not entitled to protection and the inquiry ends.⁵⁴ Only when protectibility is established does the court turn to the likelihood of confusion issue.⁵⁵ It is at this phase of the analysis that the court examines the *Polaroid* factors.⁵⁶ Because the *Polaroid* factors are nonexclusive, trial courts should also examine any factors unique to the particular facts presented.⁵⁷

CONCLUSION

The case law governing the analysis on a motion for a preliminary injunction for trademark infringement in the Second Circuit is substantially settled. What is not settled is the appropriate analytical approach to be utilized and the deference to be accorded the conclusions of the trial court at each step of the analysis. Stat-

⁵² See cases cited *supra* note 49 (applying bifurcated approach).

⁵³ See cases cited *supra* note 3 (discussing descriptive marks). The elements utilized in determining secondary meaning are: (1) advertising expenditures, (2) consumer studies linking the mark to a source, (3) unsolicited media coverage of the product, (4) sales success, (5) attempts to plagiarize the mark, and (6) length and exclusivity of the mark's use. See *Centaur Communications*, 830 F.2d at 1222-25; *Thompson Medical*, 753 F.2d at 217. A decision by the Patent and Trademark Office to register a mark without requiring proof of secondary meaning affords a rebuttable presumption that the mark is more than merely descriptive. See *McGregor-Doniger*, 599 F.2d at 1132. In determining whether secondary meaning is established, no single element is determinative, nor does every element have to be proven. See *Thompson Medical*, 753 F.2d at 217. Secondary meaning is a factual issue subject to the clearly erroneous standard. See *McGregor-Doniger*, 599 F.2d at 1133 n.4.

⁵⁴ See cases cited *supra* note 49 (utilizing bifurcated approach to determine trademark infringement).

⁵⁵ See *Thompson Medical Co. v. Pfizer, Inc.*, 753 F.2d 208, 212-13 (2d Cir. 1985).

⁵⁶ See *Polaroid*, 287 F.2d at 495; see also *supra* note 23 (detailing *Polaroid* analysis). Each factor must be individually examined and no one factor is predominant, "nor can the presence or absence of one without analysis of the others, determine the outcome of an infringement suit." *Thompson Medical*, 753 F.2d at 214.

⁵⁷ See *Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1228 n.2 (2d Cir. 1987); *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 256 (2d Cir. 1987). Some additional factors a court may examine are the senior user's priority, its delay in asserting a claim, and whether the granting of a preliminary injunction would harm the junior user significantly more than a denial would harm the senior user. See, e.g., *Harlequin Enters. v. Gulf & W. Corp.*, 644 F.2d 946, 950 (2d Cir. 1981) (court examined plaintiff's delay in bringing suit); *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1140 (2d Cir. 1979) (conflicting interests of parties a factor); *Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531, 536 (2d Cir. 1964) (senior users' priority, delay in asserting claim, and potential for harm and/or benefit examined).

ing only its own reasoning for reversing the magistrate's conclusions, the Second Circuit missed an opportunity to clarify the scope of appellate review applicable to each level of analysis. It is suggested that the Second Circuit can achieve uniformity in its decisions by consistently applying a bifurcated approach under which the threshold inquiry, a question of fact, is the degree of protectibility of a mark. If necessary, this threshold inquiry should be followed by an analysis of the likelihood of confusion. Such an approach will increase the consistency, clarity, and predictability of court decisions and conserve judicial resources by speeding unwarranted infringement claims through the system.

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